

OFFICE OF  
INSURANCE COMMISSIONER

In the Matter of	)	No. G05-01
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
<b>GREAT REPUBLIC LIFE</b>	)	AND ORDER ADOPTING REPORT
<b>INSURANCE COMPANY</b>	)	OF
	)	FINANCIAL EXAMINATION
A Domestic Insurer. _____		

**BACKGROUND**

An examination of the financial condition of **GREAT REPUBLIC LIFE INSURANCE COMPANY** (the Company) as of December 31, 2001, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and comments and recommendations was transmitted to the Company for its comments on January 10, 2005. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

**FINDINGS**

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 4 through 18 of the report.

GREAT REPUBLIC LIFE INSURANCE COMPANY

Order Adopting Examination Report

February 8, 2005

Mailing Address: P.O. Box 40255 • Olympia, WA 98504-0255

Street Address: 5000 Capitol Blvd. • Tumwater, WA 98501

## CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **GREAT REPUBLIC LIFE INSURANCE COMPANY** and to order the Company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented the Instructions and Recommendations prior to the date of this order. The Instructions and Recommendations in the report are an appropriate response to the matters found in the examination.

## ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 4-7.

1. The Company is ordered to complete its annual statement General Interrogatories as required by RCW 48.05.073 and the NAIC Annual Statement Instructions. Instruction 1, Examination Report, page 4.
2. The Company is ordered to comply with the record keeping requirements and monitoring requirements of provisionally exempted investments. This will ensure full and adequate accounts and records of its assets in compliance with RCW 48.05.280 and WAC 284-07-050(2) to ensure the accuracy of future statutory filings and to comply with NAIC Annual Statement Instructions. Instruction 2, Examination Report, page 5.
3. The Company is ordered to classify loans to agents in the correct balance sheet account pursuant to RCW 48.05.250 and the NAIC Annual Statement Instructions. Instruction 3, Examination Report, page 5.
4. The Company is ordered to record commissions due and accrued as required by NAIC Annual Statement Instructions in the correct line item. This will ensure full and adequate accounts and records of its assets, obligations, transactions, and affairs in compliance with RCW 48.05.280 and ensure the accuracy of future statutory filings. Instruction 4, Examination Report, page 5.

5. The Company is ordered to correct reporting deficiencies in its account, Amounts Recoverable from Reinsurers. This will ensure full and adequate accounts and records of its obligations and affairs in compliance with RCW 48.05.280 and WAC 284-07-050(2) to ensure the accuracy of future statutory filings and to comply with NAIC Annual Statement Instructions. Instruction 5, Examination Report, page 6.
6. Pursuant to RCW 48.23.300, the Company is ordered to include interest on death benefits payable as part of the final settlement payment to beneficiaries. Instruction 6, Examination Report, page 6.
7. Pursuant to RCW 48.12.030, the Company is ordered to increase the reserves in the account, Aggregate Reserve for Accident and Health Policies by the amount determined by the OIC Actuarial staff of \$472,000. Instruction 7, Examination Report, page 7.
8. The Company is ordered to follow its established policy for cash disbursements or review policies and guidelines for amendment. Comments and Recommendations 1, Examination Report, page 7.
9. The Company is ordered to follow its established underwriting procedures for approval of policy applications or review policies and guidelines for amendment. Comments and Recommendations 2, Examination Report, page 7.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Tumwater, Washington, this 8th day of February, 2005.

A handwritten signature in black ink, appearing to read "Mike Kreidler", is written over the printed name.

MIKE KREIDLER  
Insurance Commissioner

# Great Republic Life Insurance Company

1900 WEST NICKERSON ST., SUITE 200  
SEATTLE, WASHINGTON 98119-1639

January 26, 2005

James T. Odiorne, Deputy Insurance Commissioner  
Office of Insurance Commissioner  
P.O. Box 40255  
Olympia, WA 98504-0255

RECEIVED  
JAN 28 2005  
INSURANCE COMMISSIONER  
COMPANY SUPERVISION

Dear Mr. Odiorne:

Thank you for sending our Examination Report as of December 31, 2001. A couple of details should be corrected initially. The subject line on your cover letter shows the examination is for States West and the date on page 1 shows January 7, 2004.

Referring to page 4 of the report, we provided the information requested in Interrogatory questions 9, 10 and 29 to Examiner Carl Baker when he was in our office.

Pages 4 and 5 address the Record Keeping Requirements for provisionally exempted securities. We corrected our documentation procedure for these "PE" securities during the examination period (since December 31, 2001 the PE securities have been redesignated filing exempted "FE"). The classification of Amounts Due From Agents, page 5, has been changed in our financial statements.

On page 6, the Reinsurance amounts are matched up with the general ledger at year-end. We do not reconcile to the general ledger each month, but we confirm on a monthly basis that the company's bottom line has changed by the total amount of the settlement reports.

Page 7. Loss Reserves. Sometime near July 2004 the OIC actuarial staff recommended an increase of \$472,000 to the account Aggregate Reserve for Accident and Health Policies based on long term care policies. On September 30, 2004 the Company established an \$800,000 Aggregate Reserve and on November 30, 2004 this reserve was increased to \$1,025,088.

Under Subsequent Events on page 13, Additional Reserve Requirements, the Company engaged the firm of Mercer Oliver Wyman to perform a Cash Flow Analysis Actuarial Memorandum as of December 31, 2003. Their analysis was the basis for establishing the additional reserves described above. Commencing in February 2005 we are also implementing a 35% rate increase on the bulk of the long term care policies. The Company's appointed actuary is Lewis and Ellis as of December 31, 2004.

Sincerely,



Patricia D. Pritchett